AustralianSuper

2021 Annual Member Meeting

Transcript of the 2021 AustralianSuper Annual Member Meeting Q&A Session
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Recordings of the event can be found at https://www.australiansuper.com/amm

Presenters:

Rose Kerlin, Group Executive Membership & Brand
Dr Don Russell, Chair
Paul Schroder, Chief Executive
Mark Delaney, Deputy Chief Executive and Chief Investment Officer
Shawn Blackmore, Group Executive Member Experience
Alistair Barker, Head of Total Portfolio Management
Andrew Gray, Director ESG & Stewardship
Katie Le Cras, Head of Operations and Oversight
Peter Treseder, Education Manager

Live Question and Answer Session

ROSE KERLIN: Welcome and thank you for joining us at the AustralianSuper 2021 Annual Member Meeting Question & Answer session. For those of us who are just joining us and weren't at the previous presentation, my name is Rose Kerlin. I'm the Group Executive, Membership & Brand at AustralianSuper and I'll be your MC this evening.

Let's get started. If you'd like to ask a question, you can simply type it into the question box on your screen and press Submit. If you can't see the question box, just go to the bottom of your screen and click on the icon with the two chat bubbles and the question box should appear. Just a reminder, please don't put any personal information into the question box. If you do have a question of a personal nature, you can contact us at the website or via the AustralianSuper App or you can ring the contact centre. We have a number of our colleagues here together in the COVIDSafe studio and we also have colleagues that we're going to be

calling upon to help and assist in answering your questions via Zoom in Melbourne and Sydney.

All of our AustralianSuper Directors are here with us this evening, along with two you heard from earlier: our Chair, Dr Don Russell, and the Chair of our Investment Committee, Jim Craig. We also have our Chief Executive, Paul Schroder, our Deputy Chief Executive and Chief Investment Officer, Mark Delaney, the Fund actuary, our Fund auditors, PwC, represented this evening by Craig Cummins and Nicole Oborne, and a number of our subject matter experts who we have on hand to assist us in answering your questions. A number of you have already been submitting questions, so let's get started and we'll go to the first one now.

I'll turn first to Andrew Gray, who is our Director ESG & Stewardship in the Investment team. To get us started, Andrew, a number of our members have been asking about environmental, social and governance issues. So can you explain how does AustralianSuper balance between returning strong results for members and investing responsibly?

ANDREW GRAY: Well, that's quite an important question, Rose, so thank you, and it really gets to a fundamental belief in the way we approach investing at AustralianSuper. And the answer is we don't really see it as a balancing act. We don't see that there's a trade-off here. So, at the end of the day, companies that act responsibly and manage their environmental, social and governance issues well will make better investments.

So we'll just sort of drill down on that. When we think about the issues that we're covering with ESG, it's things such as board effectiveness, remuneration structures - are there the right remuneration structures in companies - climate change, work force and modern slavery issues, diversity, First Nations cultural heritage issues, data privacy and security, and plastics and the circular economy. So if we think about those issues, clearly it's important for companies to manage those issues well if they're going to make good, long-term investments and generate value for members.

So I thought I might just take a couple of minutes also just to explain how we go about doing this. So at AustralianSuper, we have currently a nine-person ESG team, which is actually growing very fast and internationalising as the Fund internationalises. The way we go about it is we work in a very integrated way with the investment teams, and we operate with investment teams at two levels: so, firstly, at the due diligence phase. So this is the phase at which the Fund may be considering an investment in a company and the ESG team gets called in as part of that due diligence to identify the ESG risks and opportunities at that asset. And again what we would focus on are those key issues that I mentioned earlier, plus any particular issues that may be particularly relevant to a company outside of those.

Once we become an owner, we then move to the next phase of our ESG program, which is where we aspire and, in fact, are very active as stewards. So this is where we actively engage with companies to basically advocate for improved ESG performance at those assets because we think doing so, as I mentioned earlier, will make them better long-term investments. And we'll do this individually. So obviously our size gives us great influence and credibility with companies, so we'll do this individually, but we'll also work collaboratively with other investors where we think that helps doing what we're trying to achieve and amplify our voice.

And the other aspect with the stewardship piece is we also try to connect with the real economy and work with the real economy. So an example of this, for example, is that we are a member of what's called the Energy Transitions Initiative, which is actually working directly with hard-to-abate industries on their low-carbon transition plan.

So the approach really is to say: we don't see a trade-off. Companies that manage their ESG issues well will be better investments and then we go about doing that by integrating with the investment teams to work integratively as part of the investment decision and the ongoing ownership process so that we can deliver the best investment returns for members. Thanks, Rose.

ROSE KERLIN: Great, Andrew. The next question goes to Paul Schroder, our Chief Executive, and this question's from Trevor: "How or where do we get to see the list of investments in each fund; for example, the International Share Fund, Australian Share Fund and Growth Fund?".

PAUL SCHRODER: Hi, Trevor, and thanks for the question. As I hope everybody understands, these assets are your assets. They're the members' assets, and so our view is that you should know exactly what you own and where you own it. So if you go to the website, since 2016 we've been providing our portfolio holdings disclosure. So go to the website, look for 'PHD' and you can see exactly what you own, how much of it you own, where you own it, right down to the addresses of the properties. All of the assets, the real assets, the shares, every other thing that you own is available there on the website. Thanks, Rose.

ROSE KERLIN: Next question to Alistair Barker, our Head of Total Portfolio Management in the Investments team. This question's from Chris: "Alistair, today the Commonwealth Bank launched a platform for crypto investors. Does AustralianSuper have any crypto investments and how risky is it?".

ALISTAIR BARKER: Thanks, Chris. Great question. It's important, I think, to draw a

distinction between cryptocurrencies and the trading platforms that these currencies are traded on, so it's like the asset and the kind of infrastructure, you could say, upon which people trade. We're not really investing in the cryptocurrencies but we think the platform upon which people trade is a really interesting investment issue and I think it will change over time.

So to give you an example, the way people traded goods and services has really evolved quite a lot over the last 200 years. People exchanged physical money. Over the course of the last century, people have moved to an intermediated model where they work through a bank or a credit card company and there's a promise or a transfer of a promise. We think the blockchain technology underlying cryptocurrencies is an example of a new way of digitally transacting, potentially securely, potentially more quickly.

A number of people - and what you've alluded to with Commonwealth Bank is an example - are looking at those platforms. A company called Square, who bought Afterpay, is doing something very similar - big investment into the space of what the platforms are. However, when we look at cryptocurrencies, they're extremely volatile and have a lot of risk. We actually don't think they meet the risk return parameters for investment in, for example, the Balanced option that Mark spoke about earlier.

The big issues for us are around regulation. So China has said cryptocurrencies are illegal. The US Government is actually silent. They haven't really said whether they're permissible. They've allowed trading of what they call - and this is a bit technical - a stablecoin, which is actually just a digital form of a currency, like US dollars, and that's actually probably where the world is going to go, that all countries will have some kind of currency but in a digital form and you'll be able to trade on these new pieces of financial infrastructure. So cryptocurrencies, no, but a new way of transacting of any asset, be it a normal currency or potentially a property, it's likely to be the way of the future at some point in time. Thanks, Chris.

ROSE KERLIN: I'll give this next question to Peter Treseder, our Education Manager. It comes from Rodney and he says: "I'm 58, so am I entitled to access a portion of my super?".

PETER TRESEDER: That's probably one of the most common questions I see: "When can I get my super"? To get access to your super, you have to meet a condition of release. Now, one of those conditions of release is turning 65. The other is ceasing work and reaching your preservation age, and your preservation age depends on when you were born. Now, on our website, under our Tools and Advice, there's a fact sheet about when you can access your super. Rodney, I don't know whether you've already turned 58 because if you turned 58 before June this year, you've reached your preservation age. If you turn 58 from 1st of July this year, unfortunately you'll need to wait until the age of 59 because that's going to be

your preservation age. Thanks, Rodney.

ROSE KERLIN: The next question goes to Mark Delaney and it's from Aturu: "Can you please give an update on the progress made on bringing investment management in-house and whether members can expect to receive a reduction in investment fees?".

MARK DELANEY: Aturu, thanks for asking the question. We've been doing internal management, as I said, for about a decade and about half the portfolio is now managed internally. How that's translated through to savings for members is that it used to cost us around 70 basis points or 75 basis points, which is 0.75 of a per cent, to run the investment portfolio and now it costs about 45 basis points, so it's a falling of the client of about 35% over the eight years or so we've been doing it. We think going forward there's scope for some further declines in fees, but not much because as we build out our international presence to build more private markets capacity, it's going to cost money and we're going to have to use the savings from internalisation to fund that expansion. So the bulk of the savings we think have pretty much been incorporated into earnings but we'll get those savings every year going forward as well as what we've achieved in the last eight years.

ROSE KERLIN: This next question comes from Ian and I'll give it to Paul Schroder: "can you comment on AustralianSuper executives moving their super investments out of unlisted options in the early part of the COVID-19 pandemic?".

PAUL SCHRODER: Yes, Rose, I can, and thanks, Ian. This is often referred to as switching, so I thought I might just take you back a fraction and explain what switching is. Switching is something that's available to all members, which is moving between investment options, whether that's high growth to balanced, balanced to, say, conservative balanced or stable. So what we're talking about here is if people switch between investment options, just as members can, but we previously heard from Mark that switching often costs you money in terms of your balance because timing the market is really hard, so we don't encourage people to switch just for that very reason. But what's been raised here is: what about if you made a switch at a time when markets were falling, when we made provisions for unlisted assets to reflect those markets falling? We have policies in place for that. We have rules in place for that to make sure that everybody's doing the right thing. And so, firstly, I can assure everybody watching that none of those rules were breached. Everybody did the right thing by the rules and those rules are there to protect you as members to make sure that nobody's got any extra information and nobody can act on that extra information to their advantage or your disadvantage. So we have a very strong regime of rules about switching, and nobody making a switch at that time breached any of those rules.

But I did want to say something from tonight, and that is that the Board has been putting its mind to this and really thinking about what would be best practice here, not just what rules

are OK, not just what is enough protection to make sure that things are done the right way, but what would be the highest standard? And so the Board's been looking at that through that lens and spent quite a bit of time at its meeting on Friday about that. We'll just finalise some rules that - they're not required rules but they're going to be well ahead of expectation, just so - what I want to make sure is that everyone on this hook-up and every member can really have full trust in this process and complete trust in the Fund. So the Board has been putting its mind to that. There are already rules in place but we're going to progress some tighter, higher rules so that the bar is set very high so nobody can be in any doubt whatsoever that everybody's acting exactly as each of you on this hook-up would expect.

ROSE KERLIN: The next question goes to Mark Delaney. Scott has asked: "whilst I think it's important to strive for strong financial performance, I also think it's important to be part of a super fund that is a good corporate citizen. Does investing in key infrastructure projects that drive jobs and long-term benefits for Australia form part of your decision making?".

MARK DELANEY: Gee, Scott. Great question. Everybody who works at AustralianSuper and I think anybody who is a member of AustralianSuper wants to be part of an organisation which is a good corporate citizen, and that's doing good for others and doing good for the community, and that really sits very importantly with how we think about the portfolio and how we do things. And then when Andrew talked about ESG, that's a window into that responsibility.

In terms of infrastructure assets themselves, what's really interesting is that if an investment isn't good for the community, it's going to turn out to be a bad investment. So with these infrastructure assets, we think they're going to transform the way the community can operate; transform, for example, a toll road, how you can move around a city, make things substantially better, and that will improve the overall efficiency of the place, people's livelihoods and make a big difference. So I actually think that good investing and being good for the community are almost the same thing. An investment business which is unviable is one which really takes advantage of the community, and that's not something we want to be associated with.

ROSE KERLIN: Let's stay with you, Mark. Another question. This is from our member Andrew: "what impact will higher inflation have on super returns?".

MARK DELANEY: Oh, gosh, Andrew. Inflation's never been really good for returns. So if inflation comes along - and we don't know it's going to come along; it's certainly here now, as the supply chains have been stretched with COVID and people have basically bought more goods and less services, and those goods had to be shipped across the world in containers. We don't have enough containers, we don't have enough ships and so the price of goods is going up. You might have noticed in your Amazon deliveries that things are

costing a bit more for transportation. So that's tweaking a bit of inflation. Whether it's temporary or permanent, we don't know, nor do the central banks, but it's well worthwhile watching pretty closely.

But to answer your question directly, inflation tends to lead to lower investment returns and that's because it causes higher interest rates and, as I talked about in my presentation, lower interest rates have been a factor behind the very strong returns. So if inflation comes, it will be difficult for the portfolio, but as long as it's modest, it won't be a disaster.

ROSE KERLIN: Back to you, Paul. Martin would like to know what benefit is there to members in all the advertising you do, considering you already have huge amounts of money under management?

PAUL SCHRODER: Thanks, Martin. The first thing I want to assure everybody of is that we're very thoughtful and careful about advertising spend so that we avoid expensive times to be advertising and we're very, very careful about the overall level of spend. Most importantly in my mind is that in trying to achieve the very best returns for you over the long term, it's really important to be able to move between asset classes, between equities, infrastructure, property and all of the other asset classes. That's really a key to delivering long-term performance, and one of the elements of that is strong net cashflow. So it's really important that there's enough money coming into the Fund to be able to allocate between those assets to make you the most money. So securing net cashflow is really important for returns.

When I think about the most recent advertising campaigns, though, they've mostly been designed to reassure current members that people are in a good fund, even in trying times. So those most recent ads showing faces, talking about the 10-year return and the most recent, they were mostly designed to reassure people that staying invested and staying in the Fund is in each of your best interests. So, Martin, I would say there's several other elements that we get the benefit from growth but the main one is they help drive returns.

ROSE KERLIN: The next question is from Susan and I'll give it to Dr Don Russell, our Chair. Don, could you tell us: "how will the Board support the executive team to ensure the members-first culture is retained?".

DON RUSSELL: Thanks, Susan. Your question actually goes to one of the priority areas of the Board. People are, I guess, conscious that the Board has a key role in determining the strategy of the Fund but we have an equally important role in ensuring that the Fund has the right culture to deliver our member-first philosophy. The Board is acutely aware that 'member-first' has to be more than just words. We have to be constantly vigilant that our actions remain consistent with our philosophy and we're all too aware that others have

allowed a members-first philosophy to degrade over time to what is effectively 'fund-first', and the Board sees itself as an important driver to make sure that in our dealings with the Executive, in our dealings with ourselves, we don't allow this to slowly eke away and that member-first remains a key part of everything we do. So thank you, Susan, for the question.

ROSE KERLIN: Next we'll go to a question for Mark Delaney. It's from Simon, who says: "member contributions will soon rise as employers' contribution increases to 12% by 2024. Does this large increase in funds impact AustralianSuper's investment strategy as part of the overall 2030 Strategy?".

MARK DELANEY: Again, another great question, so thank you for asking. It's really good news that contribution rates are going up. That's going to give people a chance to build much bigger retirement balances. That's the most important thing. More contributions invested for the long term generate bigger balances. For us in the investment team, when we think about how we're going to manage the portfolio in the future, we're looking at how much money is likely to come in from contributions and how we're going to place that money. So as contributions continue to remain very strong - and they have been strong since we started - we will need to build more capacity to deploy that capital, and that's part of our international program of building offices in London and New York so we can deploy the capital in good deals and make good returns. So thank you for your question.

ROSE KERLIN: Next up we'll go to Shawn Blackmore, who is our Group Executive of Member Experience. Dilip would like to know: "why does AustralianSuper not support access to Choice Income and accumulation accounts with single login?".

SHAWN: Thank you for the question, Dilip. Currently members can have two accounts of AustralianSuper. You can have both an accumulation account and you can have a retirement account. In that situation you are correct. You currently can't see both accounts through one logon on the website. But we have started a project in which we're rebuilding both the website and the mobile app, so in the first six months of next year when we release that to members, we will solve that problem where you'll be able to have one logon to see both your accounts and there'll also be some enhanced features and functions for all members. Thank you, Rose.

ROSE KERLIN: Great. Back to you, Mark. A question has come in: "can you explain the New York office and how that sits with investment strategy?".

MARK DELANEY: Yes. I just talked a bit about that in the previous question. So why New York? When we looked to build our overseas office program, we looked at a number of locations in the US and some of us thought we might go to the west coast so we could go to the beach and enjoy the climate. That didn't really meet members' interests and so we

picked New York for the reason that a lot of the private market deals get done through New York - private equity, private debt funding and a fair chunk of the infrastructure deals. So to be in the swim of how those deals are done, you have to be located where those people are and, therefore, we needed a New York office. We think having that office will give us an access, as I said, to better deals, better deal flow, and over time stronger investment performance. But it's a journey. You can't just rock up in New York, turn the key, walk into the office and think it's all going to happen. We have to hire staff, build relationships and prove to be a trusted partner. So it's going to take some years but it's a well worthwhile thing to do. Thank you.

ROSE KERLIN: For this next question from Bethany, I'll go to Katie Le Cras, the Head of Operations and Oversight. Bethany would like to know: "where can I find the procedures of how AustralianSuper disburses money to beneficiaries if the binding or non-binding nomination is invalid? Does AustralianSuper charge a fee for this?".

KATIE LE CRAS: Hi, Bethany. Thanks for your question. You can find all the information on the Fund's website. So if you just go to the Superannuation tab at the front page, you'll be able to find all the information on how the Fund manages both binding and non-binding nominations. Also, there is no fee charged to any form of nomination. Thank you, Rose.

ROSE KERLIN: OK. We've got another question for Shawn Blackmore and this comes from Fabienne. Fabienne would like to know: "will you offer annuities as a retirement option?".

SHAWN BLACKMORE: Thank you for the question, Fabienne. Great question. Annuity is also commonly referred to as fixed term pensions or lifetime pensions. We currently don't offer one to members but, in exciting news, we're currently reviewing that and designing one at the moment. So whether it's called an annuity or a guaranteed pension or a lifetime pension or a fixed term pension, we're yet to decide on that final name but we'd like to see that product in the market towards the end of next year. Thank you, Rose.

ROSE KERLIN: Next up we've got a question for Alistair Barker and that comes from our member Agnes, who has asked: "did the sale of ME Bank to Bank of Queensland have any impact on the AustralianSuper performance?".

ALISTAIR BARKER: Thanks for the question. In short, it had a small positive impact to performance this year. So when the asset was sold, the total proceeds to the consortium were just over $1.3 billion, of which AustralianSuper owned about 20% of ME Bank. We had the asset independently valued, as we do with all of our unlisted equity investments, and that sale was at a slight premium to the previous independent valuation. But thanks for your question.

ROSE KERLIN: The next question goes to Peter Treseder and it's a question from our member Nathan. Nathan would like to know: "can you use one account for partners rather than have two separate accounts?".

PETER TRESSIDER: Hi, Nathan. Another common question we get asked is: why can't we have one combined account for a partnership? Unfortunately, you can't. You have to be separate entities. So you have to keep on going with you having your account and your partner having their own account. Thanks, Nathan.

ROSE KERLIN: The next question is going to Andrew Gray and it's from our member Robert. It's: "does AustralianSuper sometimes vote against AGM resolutions of investments where the companies want to give share options and huge bonuses to senior management? The Directors make decisions affecting many years but the criteria is relatively short term."

ANDREW GRAY: Thanks, Robert. Great question. 'Yes, we do' is the short answer. So voting on remuneration is one of the two key votes that we have at AGM season, the other being to elect Directors, and so we're very active on both those votes. So with regards to remuneration, we've actually got a couple of principles that we look at to assess a remuneration scheme in a company. So the first thing we're looking for is that the remuneration has delivered appropriate pay-for-performance outcomes. So if executives at a company are getting paid well, we expect the company to be generating strong value for us and our members.

The second criteria, which is probably the heart of your question, is we also want pay quantum to be reasonable and not excessive. Then the third principle that we look at is to make sure that disclosures have been appropriate and clear enough so that we can make an adequate assessment of those first two principles. It does change a little bit year by year, but on average, we'll vote against about 8 to 10% of Remuneration Reports at ASX 200 companies, and that could be based on any of those principles but often it will be based on where we think remuneration structures are too short-term oriented or bonuses are too high, particularly given our perspective as a long-term investor.

So one of our key requirements is to make sure that remuneration schemes do have long-term performance assessment in there and that bonuses and short-term payments aren't excessive. So the short answer to the question is: yes, we will vote against and we'll certainly communicate that to the company so that we can advocate for improved structures going forward, and on average that vote against is about 8 or 10% each year. Thanks, Rose.

ROSE KERLIN: Great. We'll go now to Mark Delaney. There's a question from Jin Hui:

"what is AustralianSuper's view on the relations between Australia and China and how does that inform the investing stance that AustralianSuper takes?".

MARK DELANEY: Jin Hui, thank you for the question. There's a lot happening both in China and outside of China and both of them are having significant impact upon the potential investment portfolio. So while the amount of China investments we have is relatively small, the impact is very large because China is the second biggest economy in the world and it's Australia's major trading partner. So within China, there's certainly a move to what we might call a more equal society, with less emphasis purely on economic growth and more on the environment, the conditions and what the Chairman calls shared prosperity. That's resulting in a lot of regulatory changes going through which has affected the value of lots of businesses, and if you're on the wrong side of those, it's been very penal.

The second thing is the emergence of China as a global superpower and how the world is responding to that. That's certainly been a challenge for Australia and the US and Australia's taken quite a strong position and has been effectively punished by China for doing so. We all aim to live in a peaceful and cooperative world and we hope we'll work toward that position, but in the near term, it does make investing in China a little bit more difficult while the circumstances we're experiencing continue.

ROSE KERLIN: Great. A question for Paul now and it's from Catherine: "how do you generally calculate staff salaries and are all executive staff invested in the Fund?".

PAUL SCHRODER: Thanks, Catherine, for the question. Your question I think is how do we generally calculate staff salaries, and it's always the same principle, which is: how do we make sure we can attract and retain the right quality talent and not spend one dollar more than we need to of members' money? So that's how we generally do it and always do it. We employ external remuneration consultants to find the market levels for those salaries and I just should flag that I think that's one of the things that we've got to think very carefully about as we go global because they are different markets and we need to make sure that we can attract and retain the talent that you need to keep making you money and helping you save for your retirement but not overspend.

The second part of the question is: are all Executive staff invested in the Fund? Yes, we do expect people to be members of the Fund, and we are - and I know you've seen at least Mark and I today, we're both members of the Fund, the only exception being the Independent Directors and Chair, who are not allowed to be members of the Fund. But if you're asking do we put our money where our mouth is, yes, we absolutely put our money where our mouths are.

ROSE KERLIN: And we'll stay with you, Paul, for a question from Andrew: "does

AustralianSuper have plans to offer investment products outside of super?".

PAUL SCHRODER: No, not really, Andrew. One of the great beauties of super is that it's preserved and has a long-term horizon and we structure the portfolio to make sure that we can make you the most money, risk-adjusted, post-tax and post-fees, and that includes investing over the longer term horizon. You'll know especially for younger people there's an opportunity to save for a first home, which is a really great arrangement for people who are saving for a first home. It's got really good provisions and that's a good offering. But, generally speaking, no because it doesn't really suit the investment strategy and really it's hard enough to be a really good super fund, let alone introducing other and additional things to do.

ROSE KERLIN: While you're on a roll, Paul, there's a question here from Dietrich: "how does AustralianSuper gauge member views? Is there a system in place for regular member input?".

PAUL SCHRODER: Yes, thanks, Dietrich. We think we have the most comprehensive process of listening for members' voices, and all the customers as well, not just members by themselves but the businesses that they work for and those people who use advisers as well. So we have about 100,000 data points that we take every year from a strategic level and from an episodic level. Sessions like this give us plenty of good insight to questions and comments. But our Voice of the Customer program is very comprehensive. It's supported completely by the way we manage complaints, and I see many of those as well. So I hope that answers your question, Dietrich. We spend a lot of time with focus groups thinking about things. We do a lot of quant, a lot of qual and we also track at both the strategic and the episodic level.

ROSE KERLIN: Great. We'll now go to Peter Treseder. There's a question from Alexander: "what is the maximum super balance and what happens if we go over?".

PETER TRESSIDER: Hi, Alexander. If you think of superannuation, it has two phases. It has the build-up phase or accumulation phase and a drawdown phase or the pension phase. You can have as much as you like in the accumulation phase, but the current laws only allow you to move up to 1.7 million from that accumulation phase into that drawdown phase. So it was 1.6 prior to 1st of July this year. It increased to 1.7. That doesn't mean if you move 1.6, you can move another 100,000 across this financial year. There are some rules around how much you can move across and if there is any scope for you to take advantage of the increase from 1.6 to 1.7. It's a complicated matter. There's more information on the website about how you can work out what your cap is in that drawdown phase. Thanks.

ROSE KERLIN: Across now to Paul Schroder. We've got a question from Scott: "as the

new CEO, what are your top three priorities for the Fund? What will stay the same and what will change?".

PAUL SCHRODER: Thanks, Scott. My number one priority, just as the priority for all 1,000 people who work at the Fund, is to help grow your balance, and to grow your balance, that includes helping you save more, helping you earn more, risk-adjusted, post-tax and post-fees, and protecting your assets properly through good risk management, good security, good cybersecurity and offering insurances. So that's my number one priority but it's a priority shared by everyone around the Board, everyone around the Executive and all people who work in the Fund.

My second is to make sure that we continue the culture and conduct and thinking always about members in the same way that Don explained. And I think the third is to aspire to achieve the benefits of scale, lower fees, higher returns, but to do that in a personalised way and to use data, to use digital capability, to bring the best of size with the personalisation of the individual perspective. So I think they're the three most important things for me: building your balance, making sure the culture and conduct is right, and making sure that we get the benefits of scale but we can do that in an individualised way that makes sure that every member feels, and is, well served along their journey.

ROSE KERLIN: OK. A question for Peter Treseder from Susanna: "can you explain what the contribution cap is for me as a 70-year-old?".

PETER TRESSIDER: Hi, Susanna. Contributions go into super in two ways, either before tax or after tax, and each of those contributions has a contribution cap. Before-tax contributions - contributions made by your employer, salary-sacrificed contributions - they have a contribution cap of $27,500 this financial year. The contribution cap for after-tax contribution, its cap is $110,000. As a 70-year-old, you may not be able to contribute unless you meet a work test, and the work test is you need to work 40 hours over a 30-consecutive-day period. So that applies to anyone over the age of 67. So being 70 - you're over 67 - you need to meet that work test. There is legislation pending - it was put into Parliament in the last week or so - to remove the work test but that's not going to come into play until 1st of July 2022 and it has to be voted through Parliament. Again, more information on our website around the contribution levels. Thanks, Susanna.

ROSE KERLIN: A question now for Mark Delaney from Mario: "as interest rates begin to rise and thus have a negative impact on returns of, say, the Balanced Fund, what will AustralianSuper do to minimise the impact?".

MARK DELANEY: Yes, that's what we have to do. So what we're going to do is avoid those investments which are most affected by rising interest rates, and that's clearly fixed income.

And so bonds will be the most affected. Assets which have returns bond-like, which you might call some high-grade property or even some corporate loans in credit, will also be more affected. And shares will be less affected because the revenues can also go up with inflation so we'll probably be inclined to hold those.

The other thing we can do is invest more in assets which have CPI-linked revenue streams; for example, like infrastructure assets, which we are doing a fair bit of. But, as I said at the start, early on, if inflation is modest, it will be OK. If inflation rises a lot, which I don't think will happen, it will be more difficult. But thanks for your question.

ROSE KERLIN: Across to Alistair Barker now. A question from Warren: "are dividends from equity investments added when they are paid and, if so, would that add a large amount to the daily crediting rate when these come in or are they added progressively?

ALISTAIR BARKER: Thanks, Warren. Great question. They're added progressively, so for a number of you who are on the call, you will notice that every day we credit returns to your account. So whenever the market moves up or down, your balance automatically adjusts according to a crediting rate, and those rates include dividends. What happens with dividends is when a company says they're going to pay a dividend, that share price at some point goes what they call 'ex-dividend ', and so the share price drops the day they go ex-dividend and you lose that dividend entitlement. So when it goes ex, we make a provision for the receipt of that incoming dividend and the franking credits. So there's no real change around the dates that those dividends are declared because we make sure the prices reflect either - you know, are they in the share price or are they out of the share price? But really important because franking credits are a very large part of return from Australian equities. So thanks for the question.

ROSE KERLIN: Across now to Mark Delaney. A question from Victor: "internationalisation can involve new and unfamiliar risks; for example, AMP's disastrous investments in the UK. How does AustralianSuper mitigate those new risk exposures?".

MARK DELANEY: Yes. Another good question. Thank you very much for that. The experience of Australian companies going overseas is not fantastic. You look through the history of Australian companies expanding globally and many have failed. Not all of them. And particularly that was the case in the '90s to the 2000s. When you get to the last 10 years or so, the track record has improved.

So we've looked at a lot of other pension plans who have had expansion to overseas offices and tried to learn the lessons from them, and a few things really stood out. You have to have offices of significant critical mass. You have to have a clear mission as to what they're setting out to achieve. You have to have decision-making frameworks which operate across

the whole portfolio and not generated by one office or another. And, most importantly, we have to maintain a member-first culture where people are investing for the benefit of others and not for their own pockets so that we can really generate strong outcomes for members.

So there's a fair bit to get across there. We think the best way to do all that is to have a combination of Australian ex-pats going there who could embed their culture and leadership and how we work as an organisation and then hire very high-quality and talented locals, which we can get access to now we have those offices, and they can build expertise and bring deals and generate investment returns. So thank you for your question.

ROSE KERLIN: OK. We'll go to Paul now for a question from Roni: "is there any reward for an AustralianSuper member referring a new member to join AustralianSuper? If not, why not?".

PAUL SCHRODER: Thanks, Roni. Well, absolutely the best thing in the world to happen is for AustralianSuper members to encourage other AustralianSuper members to join, and I know many of you have spoken to others about joining the Fund and we've been really overwhelmed by the number of people who've joined the Fund based on a recommendation from somebody else.

We don't have a formalised process in place at the moment and we've just got to make sure that we don't introduce any sales-based kind of incentives that lead people to make a recommendation that's not in their heart. It's got to be a true - there's got to be a real belief that that's a good thing to do. So we don't want to create any of those behaviours that have created trouble at other places in the past.

But the idea that a member recommends the Fund to a member is at the heart of this because this is all members bringing their money together to get size and scale and to be able to invest like a 250 billionaire. So that idea is a great idea. And so we are thinking about a member referral program and I expect that by the time we meet next year - and hopefully we'll be able to do that in person - we'll be able to talk about that member referral process. So we'll guard against the potential downsides but we love the idea of encouraging members to encourage other members to join, provided we keep doing a really good job and people feel that and they really believe that.

ROSE KERLIN: Unfortunately, that now brings us to the end of our time for our Question and Answer session. I wanted to thank all of those people who submitted questions and I do want to apologise to members who couldn't have their question answered in the time allocated. The good news is that the answers to all of the questions that have been submitted, along with the minutes of this meeting, will be available on the AustralianSuper website within one month of this meeting. You can go to australiansuper.com/amm and you

will find all of those materials there in a month. We will also have the recordings from the earlier webinar sessions called SuperTalks. There were many topics that were covered there and I know a number of people attended but may not have been able to attend all of the sessions. So they'll also be available in time up on our website and you can access them at your own leisure.

So I hope you've found this evening's sessions, whether it was SuperTalks, the presentations or the Q&A session, really informative and valuable and that you now feel more confident and secure about your superannuation and your life in retirement. On behalf of the Board and all of the team here at AustralianSuper, I want to thank you for joining us and wish you a lovely evening. Goodnight.